FY 2003 Annual Report Guidance

October 7, 2002

MEMORANDUM FROM PATRICK M. CRONIN
Assistant Administrator
Bureau for Policy and Program Coordination

I am pleased to transmit today USAID's Annual Report Guidance for Fiscal Year 2003. This marks the second year of our using the Annual Report to collect and analyze program and resource information for a variety of purposes -- the Congressional Budget Justification, the Agency's Performance Report, and our Annual Budget Submission, to name just a few. It has indeed become the Agency's premier reporting document; it is an indispensable management tool for all of us in Washington and in the field.

As we enter FY 2003 and begin discussions on FY 2004 programs and budgets, we find that this is an exciting, challenging, but also uncertain time for the Agency and foreign assistance in general. We're in the midst of an economic downturn, with a deficit budget, low revenue projections, and upcoming elections that could result in the current Continuing Resolution lasting several months. While the FY 2003 House and Senate Appropriations Bills, still to be conferenced, have proposed increasing our overall bilateral assistance by 17 percent and our Development Assistance and Child Survival and Health accounts by 20 percent above our FY 2002 levels, new security concerns and foreign policy priorities could cause some difficult trade-offs. In a nutshell, maintaining existing programs, carrying out important Presidential initiatives, and ensuring there are sufficient resources for key countries like Afghanistan, Pakistan, and Sudan, will be a formidable challenge over these next two years.

The fuller glass reflects an administration that has given a new focus and impetus to the role foreign assistance can play in enhancing our national security and promoting a sound economic development agenda. This is no better reflected than in the President's *National Security Strategy of the United States*, which he issued on September 17th, 2002 (see www.whitehouse.gov/nsc). Chapter 6, "Ignite a New Era of Global Growth through Free Markets and Free Trade"; and Chapter 7, "Expand the Circle of Development by Opening Societies and Building the Infrastructure of Democracy," are particularly relevant to USAID's mission. As a sampling, the President has committed the United States to:

- *Provide resources to aid countries that have met the challenge of national reform*, proposing a 50% increase in core U.S. development assistance to countries whose governments rule justly, invest in their people, and encourage economic freedom. This is the Millennium Challenge Account (MCA), which will begin in FY 2004.

- *Promote the connection between trade and development,* recognizing that trade and investment are the real engines of growth. When nations respect their people, open their markets, and invest in better health and education, every dollar of aid and trade revenue is used more effectively. Initiatives such as The Free Trade Agreement of the Americas and the Trade for African Development and Enterprise Initiative (TRADE) illustrate these principles well.

- *Secure public health,* particularly in poor countries afflicted by epidemics and pandemics like HIV/AIDS, malaria and tuberculosis. A key element of this goal is the President's HIV/AIDS Initiative, including Mother-to-Child-Transmission.

- *Emphasize education,* noting that literacy and learning are the foundation of democracy and development. The President is committed to increasing education assistance, notably basic education and teacher training in Africa, as well as Latin America's Centers for Excellence in Teacher Training.

- *Aid agricultural development,* using new technologies to help improve crop yields in developing countries and help more than 300 million children still suffering from hunger and malnutrition. Cutting Hunger in Africa, along with many of the activities highlighted at the World Summit for Sustainable Development, are cornerstones of this strategy.

- *Insist upon measurable results* to ensure that our development assistance is actually making a difference in developing and other transition countries, especially in the lives of the poor.

These themes and priorities play to USAID's strengths; they put us in an excellent position to show how our foreign assistance dollars can be used effectively in a wide range of development and humanitarian contexts. This Annual Report gives us a great opportunity to show how we do this.

On the management side, USAID is addressing President's Management Agenda, a federal-wide program launched in September 2001 that focuses on improving performance in five management areas: *performance and budget integration, e-government, competitive sourcing, financial performance, and human capital*. This new agenda complements our ongoing efforts to comply with the Government Performance and Results Act. It will also be incorporated into the Agency's new Strategic Plan, the parameters for which will be established with your help very soon. Having significant and measurable results at our fingertips – ones that you can articulate in the Annual Report through core and optional indicators as well as success stories – is key to showing all our partners and stakeholders how USAID delivers effective aid. This guidance also includes a request for new information on operating expenses and on the use of program funds to hire technical and administrative support staff. This will allow us to analyze the full administrative costs of program allocations, side-by-side with operating expense allocations.

We're also developing a "strategic budgeting model" to help us make even better program and budget decisions, and to assess performance and budget integration under the President's Management Agenda. For the FY 2004 budget cycle, USAID has used a preliminary model to increase the role of country performance in our allocations, focusing on economic and democratic reform. We plan to expand its use for the FY 2005 budget, factoring in criteria such as country need, country commitment to good governance, foreign policy priority, USAID program performance, and population. We will also be taking a close look at program budgets and pipelines, other donor efforts, and earmarks and directives. In the end, we are hoping to develop a sound methodology to help guide our choices and make our investments the most effective they can be. Again, the information you provide in this Annual Report is vital in getting us there.

On budget levels, we cannot tell you yet what figures to use for FY 2003 and FY 2004 until the FY 2003 legislation is passed and the FY 2004 passback process is finalized. Once FY 2003 Operating Year Budget levels are known, we will share them with you and provide further guidance. We are hoping to have FY 2004 budget levels by December.

Finally, I would like to extend special thanks for crafting this guidance to an expert team representing our regional and pillar bureaus, PPC, M, and LPA; and to the Guinea, Mali, Guatemala, Jamaica, and Romania missions for participating in the field testing of the Annual Report Application.

Point of Contact: Any questions concerning this memorandum or the guidance may be directed to Parrie Henderson-O'Keefe, PPC/SPP, at 202-712-5672.

Table of Contents

FY 2003 Annual Report Guidance
October 7, 2002

Introduction

This message provides detailed guidance to field missions and other USAID operating units on the preparation of their FY 2003 Annual Report. As in the past, this report encompasses three fiscal years of budget data – FY 2002 actual, FY 2003 planned, and FY 2004/2005 requests – and the most recent past year of performance data. The entire Annual Report narrative package along with proposed budgets for fiscal years 2003 through 2005 are due in Washington not later than January 6, 2003 (earlier submissions, however, are encouraged). Because funding and staffing information for FY 03 and beyond is dependent on Congressional and the Office of Management and Budget (OMB) actions, complete submissions of budget and staffing data may require additional field input after January 6. However, please note in Section I.G below that you are required to submit data on all FY 02 and prior year data by November 15.

The information your operating unit will be reporting is used to construct the Agency's Congressional Budget Justification (CBJ), Bureau Program and Budget Submissions (BPBS), the Agency Budget Submission (ABS) to OMB, and the Performance and Accountability Report (PAR). The combination of the Annual Performance and Accountability Report, and the Annual Performance Plan (APP), will be used to advance our efforts in "Getting to Green" as we satisfy the requirements of the President's Management Agenda.

The extent to which the Agency's and your interests are served depends on the timeliness, accuracy, and quality of the information and data you submit. Limited portions will appear on the Agency external website to describe Agency programs in each country. Although the primary purpose of the Annual Report process is help USAID do its business better, the product of this process principally addresses the needs of these mandatory external reporting requirements; it will not provide us with sufficient activity-specific information that is necessary to fully understand operating unit performance. Therefore, the Agency review of operating unit performance results will henceforth occur through triennial intensive reviews (see ADS 203.3.8 or Vetting Version ADS 203.3.10). Nonetheless, by closely following this guidance, each operating unit's Annual Report will contain sufficient information to meet the performance-to-budgeting reporting requirements of the BPBS.

This year's guidance, in contrast to last year's:

- addresses the President's Management Agenda (PMA), with new budget tables (workforce attribution to Strategic Objectives; Program Personnel/Support Expenses) responding to PMA requirements.
- emphasizes performance throughout the guidance, particularly in the Resource Request.
- unifies all information into one report that is collected at one time using a database format.
- modifies the "Inputs, Outputs, and Activities" section in the CBJ portion (see Section I.C.3); please exercise judgment if cutting and pasting from last year's report.
- expands the guidance on constructing useful success stories.

- offers an optional indicator table for operating units that would benefit from adding performance data. Given the PMA's emphasis on linking budgeting to performance, we strongly recommend giving the optional indicators close attention.
- includes some new indicators in the Selected Performance Measures table, marked with an asterisk.
- emphasizes tracking performance of Presidential Initiatives

Also, please note that the Agency currently has a vetting version of ADS Chapter 200 in circulation. In this Annual Report, wherever the ADS is referenced, both the current version reference and the vetting version (V.V.) reference will be given.

I.   Annual Report Outline

The Annual Report consists of six elements: (1) a cover memo from the head of the operating unit, (2) the Country Overview for use in the CBJ, (3) the Program Data Sheets for use in the CBJ, (4) the Performance and Budget Narratives, (5) Performance Data Tables and Results Frameworks, and (6) Resource Request Tables. These six elements should not be thought of as one fluid document -- sections will be extracted for the purposes above – and therefore, some repetition of content should be expected.

A.   *Cover Memo*

A cover memo of up to three pages is required. This Annual Report cover memo is *not* intended for distribution outside the Agency, and will *not* be posted on the Agency's website, but will be distributed to USAID employees and will be sent to the Development Experience Clearinghouse for archiving. The head of the operating unit should address the cover memo to the Assistant Administrator of his/her Bureau.

The cover memo should address critical issues or changing circumstances that may alter the management agreement established between the operating unit and Washington as per ADS 201.3.4.16 (V.V 201.3.10). The memo should include issues that the operating unit wants to call to the attention of Agency management and should specify the desired Washington follow-up actions. This memo should indicate in discrete sections (1) *proposed* changes to the strategic plan (if any; if not so state), (2) minor changes to the strategic plan made during the FY at the discretion of the operating unit, (3) major resource issues (i.e. program funding, OE, staffing), and (4) the list of SOs the operating unit will be notifying this year in their CBJ per the guidance provided in Section II.C: Supplement Reference letter "l." See ADS 201.3.4 (or V.V. 201.3.11) for information on when consultation with Washington is required prior to making changes in an approved strategic plan. As appropriate, also list evaluations that were undertaken in the past year and ones to be undertaken in the coming year. Classified material should only be reported via classified cable.

B.   *Country Overview for the CBJ*

For assistance in completing the CBJ portions of the Annual Report, see the mock CBJ submission for "Freedoni" on the internal website at http://CDIE.USAID.gov/ar and on the external website at http://www.dec.org/partners/ar.

The Country Overview *must not* exceed two pages. It will be used for the country-specific sections of the Congressional Budget Justification. Remember this document is for a broader audience that may not be familiar with the country; do not, however, describe generic facts about that country (e.g. "Freedoni is a landlocked nation in central Africa…").   The Country Overview section will consist of the following narrative sections:

1. The Development Challenge: Write one short paragraph identifying the key challenges of achieving economic growth by briefly describing the political, economic, and social context of the program. It may be useful to cite health and literacy statistics, debt burdens, factors that may impede economic growth in general, or program success in particular. Field missions should provide a statement on the U.S. national interests or foreign policy priorities in the country.

2. The USAID Program: This section should summarize the principal objectives of the Unit's program, in particular how the program is structured to address the development challenge above. Briefly characterize the involvement and capacity with both the government and the private sector, and other non-governmental institutions. Highlight those areas that address specific congressional interests as they pertain to your program. Contact your Washington program office for information on what interests pertain to your program.

3. Other Program Elements: To provide as complete a picture as possible of USAID assistance in a country, field missions should identify/describe other programs active in the country managed by the pillar bureaus, regional missions, and regional bureaus but not funded or managed by the mission submitting the Annual Report. Missions should use the database on Activities Not Managed in Country to help with this effort (http://cdie.usaid.gov/pmdb/npc_form.cfm. If activities in this database appear not to have been updated recently, please contact the activity manager listed at the bottom of each activity page). In cases where there are many such activities, missions should discuss them by pillar in summary fashion. It is not necessary to describe each individual activity. Submission of this information does not constitute congressional notification of these programs. That notification will be provided separately by the managing bureau.

4. Other Donors: This section should identify the key interest areas of other bilateral and multilateral donors. Identify donor rankings relative to resource levels (i.e., first, second, third, etc. without identifying specific dollar amounts.)   Briefly identify areas of joint effort and/or coordination with USAID.

C.   Program Data Sheets By SO for the CBJ

Please submit one Program Data Sheet of not more than two pages for each SO for which you plan to obligate resources in FY 2003 or FY 2004. Please observe there are some subtle changes from the format of last year based on feedback we have received from Congress. Subsection headings are as follows:

1. Header: The headers of the CBJ Program Data Sheets are contained in the Annual Report application and will be prepopulated for SOs that appeared in last year's submission. For the program title, continue to use a short, reader-friendly title easily understandable to outside audiences. The USAID/W assigned SO names and numbers are available at http://CDIE.USAID.gov/ar. For questions on SO numbers, please contact Robert Baker in PPC/CDIE and/or the person designated by your Bureau.

2. Summary: Describe the main functional areas of assistance under each SO (See Freedoni example of format).

3. Inputs, Outputs and Activities: Operating units should distinguish between the FY 2003 and FY 2004 programs. While the description of the FY 2004 program may indicate a degree of remaining uncertainty about precise implementation plans (e.g. by saying that funds are "to be used" or "may be used," or that USAID "plans to use," etc.), the description of the FY 2003 program should include unambiguous statements of how the funds "will" be used. Within each fiscal year, break out the description of your program into the main functional areas of assistance. This breakout may follow your principal Intermediate Results (DO NOT, however, use IR names!) or it may follow some other useful way the operating unit has for categorizing its program. For each area, please add the approximate amount of funds you intend to devote to that area. See the Freedoni model for an example. For each functional area, please describe in terms understandable by the general public how the funds being requested will be spent, (i.e., what will be purchased, for example, five training courses) and the immediate impact to be achieved with these resources (e.g. we expect to train over 100 judges [% male, % female] in court administration). Do not use general statements such as, "USAID/Freedoni will provide *support* to NGOs." Tell us what *kind* of support. Although P.L. 480 resources are not included in the financial tables, please discuss P.L. 480 inputs, outputs, and activities and a brief description of the contribution and effectiveness of these resources to achievement of the objective and to enhanced food security in the country. Do not include PL 480 figures in the text.

These Program Data Sheets constitute formal Congressional Notification of USAID's intent to obligate FY 2004 resources for the activities and purposes described therein unless the Congress otherwise requires further notification. As agreed with the Appropriations Committees, FY 2003 funding levels published in the FY 2003 CBJ continue to serve as notifications for ongoing programs unless there has been a significant modification that would require renotification. If there have been such changes, please describe them here in a manner that clearly states what is different.

4. Performance and Results: In no more than one short paragraph (you will be asked to provide detailed performance information in Section D below), highlight USAID progress toward the principal results to be achieved through this program. Then, with successful completion of this SO, what end-state can we expect? See the Freedoni example.

5. Principal Contractors and Grantees: If this is an ongoing program, list the principal contractors and grantees and their major subcontractors or subgrantees. Distinguish clearly which are primes and which are subs. Note: If there are many contractors/grantees/subcontractors/subgrantees, you need not list all of them, just the principal ones.

D.   *Performance Narrative*

In preparing this section, please refer to mock Performance and Budget Narrative for "Freedoni" on the internal website at http://CDIE.USAID.gov/ar and on the external website at http://www.dec.org/partners/ar.

1. Program Level Narrative: This section seeks information on your program as a whole. In addition to providing an informative synopsis of a current program, the purpose of these program narratives is to allow each operating unit to tell USAID/W what they feel it needs to know to make performance-informed resource decisions.

a) **Program Performance Summary**. (FY 2002) Two to four pages. This section will be posted on the Agency external website to describe our country/regional programs and will provide input for inclusion in Agency level reporting (the APP and PAR, the new OMB Performance Assessment Rating Tool, etc.). For this section you must submit ONLY unclassified, nonsensitive information that can be shared with the public. You may be asked to resubmit any information that does not fully address the needs above. At a minimum, this section should include the following:

   i   What is the country setting? As this section will be used for a different audience, you may reiterate the "Development Challenge" in the CBJ section above, but answer the following: Who are the beneficiaries of USAID resources and how are they benefiting? How does your program address a specific interest, problem or need and how is it designed to make a unique contribution to addressing the interest, problem or need? Please answer this last question in the context of other USG and other donor efforts.

   ii   What are the most important challenges your operating unit has faced and how has it dealt with them?

   iii What are the key achievements of the program for this reporting period? At their discretion, operating units may also choose to mention their Global Climate Change (GCC) (See below for mandatory GCC reporting requirements) and Global Development Alliance (GDA) related progress, including how alliances affect the choice of programs, and how they are integrated into programs as a way of involving private partners in USAID's development agenda.

   iv   When stand-alone, nonemergency Title II resources do not contribute directly to a strategic or special objective, operating units are asked to make note of stand-alone programs by addressing briefly (1) the contribution of these resources to food security in the country; and (2) the effectiveness of the programs supported with these resources in achieving results agreed upon in the relevant Development Activity Proposal (DAP).

   v   Indicate if your country is sliding into increased conflict or violence or is not climbing out of it. Whether/how conflict is affecting program operations and performance, and how the operating unit is dealing with it.

vi   What are the gender implications of your program and how does your program address gender disparities?

vii Operating units should indicate where trade capacity building fits in their programs. Those with specific activities should highlight their focus and indicate whether they are responding to assistance needs from host country governments; and/or demonstrating that USAID is working in coordination with other USG agencies or multilateral organizations such as the OECD, UNDP, UNCTAD, the World Bank, or the World Trade Organization.

b) **Environmental Compliance**. One-half to one page. This section will not be posted to the external website. It is required of all operating units (ADS 204.5.3) and is composed of:

i   A list containing activities or sets of activities that might need a new or amended Initial Environmental Examinations (IEE) or Environmental Assessments (EA) in the coming year, and a timeframe for approval (see 22 CFR 216). If none are anticipated, please so state. The purpose of this requirement is to ensure this work is budgeted for by the operating unit and integrated into the OU's work as well as the Bureau Environmental Officer's work thereby avoiding problems or delays since funds cannot be obligated without an approved Categorical Exclusion (CE), Initial Environmental Examination or, if required, an approved Environmental Assessment. Preparation, review and processing times need to be incorporated into planning. As a reminder, Regulation 216 requires amended IEEs, CEs or EAs for substantive activity amendments or extensions, and/or when ongoing programs are revised to incorporate a significant change in scope or nature.

ii   A brief statement of whether ongoing Strategic Objectives and related activities are in compliance with their approved Initial Environmental Examinations, Categorical Exclusions, or Environmental Assessments (when done). For activities not in compliance, the OU shall indicate what corrective actions it will take and by when to bring the SO into compliance as soon as possible. The purpose of this requirement is to provide an annual check of whether the OU and its SO teams are meeting the legal requirements of compliance. Indicating whether an SO is in compliance should not be taken lightly and each SO team is accountable for the statement concerning their SO. SO teams are responsible for managing their SOs and related activities to keep them in compliance with Reg. 216 throughout implementation.

c) **Country Close Out and Graduation**. Units scheduled to exit between FY 2004 and 2005 will receive separate guidance from their bureaus with specific information on what to include related to close out or graduation in the Annual Report. The separate guidance will also state whether or not this section will be posted on external websites.

2. SO Level Narrative: This section will not be posted on the Agency external webpage. The purpose of this section is for operating units to provide Strategic Objective specific information that will provide input for Agency decision-making on programs and resources and for inclusion in Bureau- and Agency-level reporting. This section provides information for the BPBS, the APP, the PAR, and the new OMB Performance Assessment Rating Tool. Operating units are encouraged to provide unclassified, but candid detail on their SOs. Operating units may, however, edit material

contained in this section for their own use in country. Operating units should include a narrative and a performance assessment and linkages on all SOs including those where funds are still being expended even though no new money will be added. In cases where an "old," still expending, SO has been replaced by a "new" SO in the same sector, operating units are encouraged to use their judgment and to report in abbreviated fashion on the "old" SO. For SOs that ceased to expend funds in FY 2002, please prepare an SO closeout report per below. For new SOs the performance assessment could be "not required" (NR) and the narrative quite brief.

a) **Performance Assessments**. From the drop-down menu provided in the application, each operating unit must assess whether each Strategic Objective exceeded, met, did not meet its **targets** in the past year (or was not required -- NR --to report on them). This will be an auditable statement, so operating units are required to maintain documentation confirming this assertion. To qualify for a "met", the statement does not mean that the SO has achieved ALL targets for the year, but that an unbiased observer, looking at the target/achievement records, would conclude that the SO was making sufficient progress. In this manner, USAID will obtain each operating unit's assessment of every SO in its portfolio. These assessments are an integral part of the Agency's strategic budgeting effort described in the cover memo from the AA/PPC. In a June 13, 2002 cable sent from PPC [State 125583], operating units were instructed to set written targets by July 15 for all indicators that will be used to answer the question whether each SO exceeded, met, or did not meet its targets [see V.V ADS 203.3.8.2.b). The targets you were to select were to be chosen from among the indicators in your performance management plan for each strategic objective. Having such written targets in place is crucial if USAID is to meet its commitment to its overseers and auditors that these statements (which are used for Government Performance and Results Act reporting purposes) will be auditable. If you did not get them in place by July 15, please do so now.

b) **Linkages**. USAID's pillars, performance goals, and objectives are included in the Annual Report Application. For each SO, please select from the drop-down menu in the application the one Agency objective that best links to your SO. Then, from another drop-down menu provided in the application, please select one Mission Performance Plan (MPP) goal that links to your SO.

c) **Narrative**. Two to three pages per SO. Discuss how the SO met, exceeded, or did not meet its targets. If the SO did not meet its targets, operating units *must* describe the management and/or budgetary steps they are taking to address this situation. Operating units should indicate how this assessment compares with prior years. If the assessment shows that the SO consistently fell short or consistently exceeded targets, state what steps are being taken to address this situation. If poor performing grantees/contractors were involved in this assessment, indicate what is being done (without naming the implementer). Describe whatever you feel is necessary for USAID/W to know about the SO, but focus on performance. Candor is essential.

   i   Discuss what management changes (to staff, to an activity, to an implementer, etc.) you made over the past year as a result of performance. What did you do to make the program work better? Given those changes, what are the expected accomplishments over the next reporting period, i.e., what are overall prospects for progress through FY 2005, including actions to overcome factors impeding progress?

ii   What is the impact of host country commitment on program performance? Has that commitment changed over the life of the objective or are any changes anticipated that might affect performance?

iii   Have you addressed any strategic planning deficiencies? Are there any considerations that prevent you from managing for results?

iv   Discuss in this section, as appropriate, the performance of activities funded by mission field support transferred to pillar bureaus and Development Credit Authority resources. (NOTE: the requirement for discussion of the performance of such activities does not imply that field missions are to assume responsibility for management of and/or all reporting on these activities. In preparing this portion of the Annual Report, field missions should consult with pillar bureaus and with DCA to describe accurately the performance of such activities)

v   Where Title II and dollar-funded activities are integrated to support one or more strategic or special objectives, include a brief description of the contribution and effectiveness of P.L. 480 resources to enhanced food security in the country as it will form the basis of the Agency's performance assessment for integrated programs.

vi   Relay any critical gender issues and/or dynamics. What gender factors are critical to the achievement of the SO? How does the program mainstream gender? How will gender biases, where applicable, be improved?

vii   Operating units participating in Presidential or Bureau initiatives should report specific results for these initiatives here. Discuss any public-private alliances your operating unit is currently participating in, in terms of the nature of the relationship, the value added by the partnership, and the ratio of federal vs. non-federal resources

SO Indicators Table. To respond to your requests to help you tell your story, we are including in the application this year a small table that you may use to report up to three performance indicators of your choice for each SO. Use of this table is optional but may be encouraged by your bureau (see bureau specific guidance). Operating units should not, however, report any indicator here that has not had a data quality assessment done on it within the last three years.

d) **Strategic and Special Objective Close Out Report**. Two to five pages. Where the SO is no longer being implemented and funded, Operating units are required to prepare a brief "close out" report per the guidance in ADS 203.3.7 (V.V. ADS 203.3.11). Generally these reports are done as an attachment to the Annual Report. If it is not possible for you to include the close out report in this year's Annual Report, then operating units must state when the close out report will be submitted. This may require that you work with your Washington program office to set this date.

e) **Success Stories**. One to two paragraphs for each story. Optional. Washington is looking for success stories illustrating the impact of our assistance on the lives of specific individuals. Success stories,

- Make the challenges of the developing world vivid. They are full of facts and statistics.
- Describe what we do in clear details.
- Reflect American values and the goals of the Administration.
- Give a feel for people and places, for the difficulties individuals face.
- Include the names and the location of the people involved.
- Speak to a general audience, not one's colleagues.
- Eliminate bureaucratic phrasing and avoid acronyms that are never defined.
- Describe the broader impact – why this is important -- while avoiding grandiose claims and assertions.
- Can be told and retold in different formats and for different audiences.

The best success stories are the ones that are the most simple, factual, and honest. They are brief. They are hard to write. They are very useful. The use a human story to make a broader point.

Success stories detailing our progress with alliances and initiatives would be particularly useful at this time as we work to bring our traditional and new partners as well as stakeholders to a greater understanding of, and appreciation for, the GDA business model.

The Administrator and other Agency officials may use these stories in speeches, press stories, and in response to common requests. While these stories are explicitly intended for public consumption, to keep them fresh for Agency management use, they will not be posted on the web in the form they are received from the operating unit. Do *not* include information in these stories that you would not want used in public.

3. Other Agency Performance and Budget Requirements "Heads Up": For the topics below, except for the GCC budget table, you will be asked to submit information separately from the Annual Report according to the deadlines established below.

a) **Global Climate Change**. There are three parts to this requirement: (1) a narrative, (2) indicator tables, and (3) GCC budget information. This year the GCC budget table will be included with the other budget tables in the application (see section F.8 below). The indicator table and the guidance for preparing the narrative and tables will be provided to GCC technical officers and their program officers directly by Carrie Stokes. None of the mandatory GCC narrative is to be sent with the Annual Report Application. The GCC narrative and indicator table must be sent directly to Carrie Stokes not later than February 15th, 2003. The Global Climate Change (GCC) reporting requirement is mandatory for those missions, Regional Offices, and Washington-based programs that attribute financial resources toward the Agency's Global Climate Change Initiative, and will be used to construct an Agency Global Climate Change report.   Questions regarding GCC reporting requirements, should be sent to Carrie Stokes: cstokes@usaid.gov.

b) **Security Requests**. The Office of Security (SEC) will send a cable on or about March 1, 2003 to request USAID security funding requirements. This will require that USAID operating units state their anticipated security requirements (e.g. plant expansion or relocation, armored vehicle and communication requirements, and anticipated number of background investigations to be conducted). USAID Directors will be required to provide a comprehensive security assessment of their missions. Please make preparations for this eventuality as you prepare your resource request. Questions regarding this reporting requirement should be sent to Pat Hogan: phogan@usaid.gov. None of the mandatory Security assessment is to be sent with the Annual Report Application.

c) **Microenterprise**. The Microenterprise Results Reporting (MRR) system --- website www.mrreporting.org --- will continue to be the official mechanism for Agency collection of microenterprise data. The MRR contact persons in missions will receive e-mails in the fall by Weidemann Associates (currently the contractor responsible for implementing MRR) to request electronic submission of FY 02 obligation data and obligation projections for FY 03 through FY 05 along with contact data for collaborating institutions. Institutions with continuing agreements drawing down earlier funding and institutions that received USAID obligations in FY 02 will be expected to submit institutional data. Institutional data will be requested in early February 03 allowing for the close of fiscal years ending in December. For additional information, contact Sharon Williams at swilliams@weidemannassoc.com or John Berry in USAID's Office of Microenterprise Development. None of the MRR is to be sent with this Annual Report.

d) **HIV/AIDS Programs**: A cable will be sent on October 30, 2002, to all missions describing the HIV/AIDS monitoring and reporting requirements that will become effective for the FY 04 Annual Report next year. Countries have different reporting requirements depending on whether they have 'priority' or 'basic' HIV/AIDS programs. Countries with 'priority' programs include: Brazil, Cambodia, Dominican Republic, Ethiopia, Ghana, Haiti, Honduras, India, Indonesia, Kenya, Malawi, Mozambique, Nepal, Nigeria, Russia, Rwanda, Senegal, South Africa, Tanzania, Uganda, Ukraine, Zambia and Zimbabwe. These countries will have additional reporting requirements, as transmitted in the HIV/AIDS monitoring and reporting cable. Regional Bureaus may require that other missions in their respective regions also follow the expanding reporting requirements.

Operating units with 'basic' programs are required to report annually against the indicators in the Selected Performance Measures table to the extent that such reporting is feasible. See section I.F.1.b below for additional information. Additional indicators have been added to the Selected Performance Measures table and are marked in that table with asterisks (*). Questions regarding the HIV/AIDS data requirements for this Annual Report cycle should be sent to John Novak, GH/HIV-AIDS, (jnovak@usaid.gov), with a copy to Dan Blumhagen in PPC/SPP (dblumhagen@usaid).

e) **Coding:** Primary and secondary emphasis area codes are not being added to the Annual Report Application this year, but will be next year as part of the Agency effort to minimize and streamline data reporting requirements. The Agency is currently working to revise the emphasis area codes to capture the requirements of the Congress and our commitments to

objectives such as the World Summit on Sustainable Development (WSSD). This will require that we request not only most recent prior year data (FY 2002), but also planning years (FY 2003 and FY 2004). Guidance on how to do the coding will be provided by PPC/RA at the time the coding request is sent to you (on or about November 16, 2002).

E. *FY 2004/2005 Resource Request Narrative.*

Two to 5 pages. This section <u>will not</u> be posted on the internal or external website, but will be made available to USAID personnel. This section of the Annual Report initiates the Agency's budget formulation process for the FY 2005 budget cycle.

<u>1. Budget Outlook: WHAT YOU NEED TO KNOW</u>. FY 2004 country and program levels, as well as any changes to account structure, will be negotiated with OMB and State during the fall and this will establish the basis for the FY 2005 budget and program. Information will be provided as it becomes known.

The following are Presidential Initiatives for FY 03/04. Operating units should discuss as appropriate. Contact your program office if additional information is needed on these initiatives.

a) Cutting Hunger in Africa (Agriculture).

b) Global Climate Change, including Congo Basin Forest Partnership.

c) Centers for Excellence in Teacher Training (CETT) in Latin America

d) Global Fund for AIDS, malaria and tuberculosis

e) Mother-to-Child-Transmission of HIV/AIDS

f) Basic Education in Africa

g) WSSD Deliverable – announced by the Secretary of State

h) Trade and Investment
     -Trade Capacity
     -Free Trade Agreement of the Americas
     -Africa Growth and Opportunity Act

The Agency increasingly sees public-private alliances as a critical way for USAID to expand development success with declining resources and promote collaboration rather than duplication and inconsistencies among those seeking to have a development impact.

For some missions, there is a new financing mechanism for capital projects. In a major change in US policy, the Administration will allow the financing of developmentally sound capital projects through a mixed credit -- a USAID grant and an Ex-Im Bank loan guarantee. The program is open to missions where per capita GNP exceeds $761. ADS guidance is being prepared, although

missions are welcome to submit proposals immediately. (For additional information or to express an interest in participating please contact PPC/P).

2. Operating Unit Request: WHAT YOU NEED TO TELL US.

a) **Rationale and Justification:** The basic rationale and justification for your budget request is your approved strategic plan. You do not have to repeat that rationale. Instead, in this section:

  i   explain how subsequent to strategic plan approval, significant unexpected changed circumstances (note: these were to be mentioned in the cover memo), such as country commitment, need, other donor support, or foreign policy interests, have affected your request for funds;

  ii   if you have the option of requesting DA, ESF, P.L. 480 or other funds, explain the choice of funds to be used, particularly ESF v. non-ESF. Use ESF levels consistent with the MPP and indicate how these resources will be used;

  iii specifically state how performance and pipeline have affected your budget request, especially for SOs not meeting expectations and repeated poor performers;

  iv   indicate how you will meet important earmarks, directives, and Presidential initiatives;

  v   some operating units believe that their FY 04 control levels do not provide them with the correct mix of resources to achieve the results proposed in their strategies. In these cases, operating units may submit an alternative FY 04 budget request that shows sector and account levels that may be different from the approved Bureau FY 04 CBJ controls, once they are set. This can be done by selecting the "FY 04 Alternative" table in the application. Providing an alternative FY 04 budget scenario is an option, not a requirement. The application also provides an FY 05 alternative table;

  vi   if you have completed a conflict vulnerability assessment since your strategic plan was approved, indicate whether and how the findings of that assessment have affected your budget request.

  vii identify those resources that are planned for public-private alliances. What are operating unit plans for developing public-private alliances and what is the impact on your budget request? Explain how leveraged resources will be brought to the alliance activity and how effectiveness will be monitored and evaluated. When in-kind resources are part of the public private alliance, indicate the cash value of the contribution; and

If none of the above apply to your operating unit (if circumstances have not significantly changed since strategic plan approval; you are not subject to important earmarks, directives or initiatives; you are not proposing alternative budgets; you are not pursuing public-private alliances; and a conflict vulnerability assessment has not been completed since your strategic

plan was approved) so state in this section and only advise how performance has affected your budget request. If you are not pursuing public-private alliances please explain.

Please consult with your Bureau program office to determine earmarks, directives or initiatives that need to be addressed.

b) **Pipeline.** Explain any inconsistencies between actual pipeline levels as of September 30, 2002 and Agency forward funding policy presented in ADS Section 602. (Pipelines, except under certain conditions, may cover up to 12 months, but not less than six months, of planned expenditures beyond the fiscal year. That is, obligations generally should fund projected expenditures through the end of the fiscal year following the fiscal year in which funds are obligated.) Describe corrective actions being taken, exceptions to the forward funding policy being requested by the operating unit, and how pipeline levels projected through the planning period will be consistent with the forward funding policy.

c) **Decommitments**. Provide a statement on how your operating units will handle decommitments. Expired commitments should be reviewed to identify unexpended balances that are no longer needed. Planned decommitments should be considered in resource requests.

d) **OE and Workforce**. Please provide a narrative justification for all resource requirements for OE and Workforce for FY 2005. Tell how the configuration of operating unit staff relates to the Strategic Plan and what adjustments, if any, are required for a better fit. Address outstanding management issues and provide a timetable for resolving those issues; identify and quantify recurring security costs, for example, guard cost increases utilized to address terrorism (physical, chemical, biological). If you identified a conflict situation in Section I.D.1.a.v., what are the OE implications? Relate any outstanding issues for mission expansions or closures and related costs, if any. Identify Foreign Service National pay or other non-pay issues promulgated by USG, other government and non-government initiatives. Discuss the relationship for the program request to OE and staffing requirements, including "critical" staffing requirements and justification for resource requests (workforce or OE) that exceed control levels (target level). Please note that we intend to establish a more direct and rational link between operating units' program funds and operating expenses (including staff). The allocation of OE resources frequently does not correspond to changes in program allocations. Bureaus will be asked to justify anomalies; operating units may wish to address such inconsistencies. Information we obtain here will be used in responding to the President's Management Agenda and scorecard effort.

e) **Program Funded Personnel and Support**. Please provide a narrative description of your anticipated use of program funded personnel staff in 2003 through 2005. This narrative should relate to the tables requested in sections I.F.3 and I.F.4 and describe the different employment modes for program funded staff, i.e., USPSC's, local hire FSN, PASA, TAACS that are reported in the "Quarterly USAID Worldwide Staffing Pattern Report". The narrative should further detail how the program-funded staff is aligned with the OE funded staff within the mission for overall program management. Please detail any anticipated changes to the program funded staffing levels envisioned within 2005. Please describe any other anticipated significant

uses of program funds, in addition to personnel, which support mission operations or oversight. Questions regarding this reporting requirement may be directed to Eileen White, PPC/RA.

F. *Performance Data Tables and Results Frameworks*

<u>1. Performance Data</u>: To fulfill the Agency's GPRA reporting requirements and for use in the Annual Performance Report, all operating units must complete a table contained in the application on "Selected Performance Measures." For this Annual Report, the requirement for performance reporting has two aspects:

a) Each unit is asked a yes/no question as to whether it has achieved a 'significant' result this year related to a "USAID Objective." A 'significant result' is one that demonstrates that USAID is making a recognizable difference in the country where it is working. Achievement of intermediate results or strategic objectives is the most common type of 'significant result'. Operating units may characterize particularly important milestones achieved as "significant results." The purpose of this question is to provide AID/W with examples of country level impact of USAID activities. It is essential that this impact be described, so space is provided in the performance table; operating units may also wish to discuss them in the Performance Narrative section. Note that we do not expect that every operating unit will achieve a significant result toward each USAID Objective every year.

b) This year, if an operating unit portfolio addresses an Agency Objective and does or can use one of the indicators included in the list of Selected Performance Measures, to measure performance against the SO or intermediate results for that SO, the operating unit must report data for that indicator. Exceptions are, (1) if the indicator is one that is noted as new for this year (new indicators are marked with an asterisk (*)) and the operating unit has not been collecting it, or (2) if a data quality assessment has not been done on the indicator within the last three years. Thus, for example, if an OU has an environmental objective addressing improved land management, and it does or can use as a progress measure the number of hectares under approved management plans, it must report that number. Similarly, if the OU has an HIV activity involving condom distribution and it does or can use the number of condoms distributed to measure progress, it must report numbers of condoms distributed. However, if the OU's portfolio does not address the particular subject, or the indicator is not appropriate for reporting progress against the mission's SO, it is NOT required to report against it. For example, if an HIV program does not have a maternal to child transmission (MTCT) component, the OU is NOT required to report the MTCT indicator. In other words, the shape of an operating unit's portfolio should drive the indicators on which it reports, not visa versa.

All indicators reported in the Annual Report must have had a data quality assessment (DQA) done within the past three years, as described in ADS 203.3.6 (V.V 203.3.5). This includes all indicators that the mission uses to determine whether an SO is meeting targets or not. A DQA reports the degree of confidence that the operating unit has in the quality of data it is reporting; it does NOT imply that the operating unit is vouching for the accuracy and reliability of all data reported. Operating units, however, MUST be fully candid in disclosing all known limitations of the data they present in this Annual Report.   If no DQA has been done on a particular indicator then operating units must not report it, and must not use it to determine whether targets have been met.

To the extent possible, operating units should report only Fiscal Year 2002 data. If the data you report is for a calendar year or other period, this MUST be noted. For health data obtained via a DHS or other comparable surveys, report only those data that were first available (either preliminary or final) during FY 2002.

All performance information provided in this section of the Annual Report must be plausibly attributable to USAID assistance. See ADS 203 for a discussion of issues concerning attribution. In brief, even if the contribution of other actors to a given result was greater than that of USAID, if the result would not have occurred without USAID's efforts, it is legitimate to assert that this result is "plausibly attributable" to USAID assistance. In these situations, the narrative should briefly state USAID's contributions, e.g., "in a multi-donor effort supporting primary education to 40,000 children, USAID assisted by designing a gender-sensitive, knowledge based curriculum."

To the extent possible, field missions should report data reflecting direct USAID assistance (e.g., number of hectares under approved management plans in districts receiving USAID assistance). Some data, by its nature, will be at the national level such as when missions use Demographic and Health Survey (DHS) or other national survey data. Whenever necessary, missions should specify in the Data Quality column of the Selected Performance Measures table the level (national or sub-national) at which they are reporting.

If you have questions on the preparation of this table, or on the indicators you should report, please contact Dan Blumhagen, PPC/SPP/SPA.

2. Results Frameworks: As discussed in ADS 201.3.4.17 (V.V. 201.3.11.3), operating units are free in certain circumstances to alter Results Frameworks without consultation with USAID/Washington, but must indicate where these changes were made. To keep records current in Washington, operating units must include their up-to-date results frameworks. The Results Frameworks should include at a minimum the Strategic Objective statement and SO-level performance indicators, and intermediate results.

G.   *Program, OE, USDH, Workforce, FSN Separation & Trust Fund, Controller Tables, Program Funded Personnel and Support Expenses, and GCC Budget Table*

There are eight basic data tables required for program, operating, and workforce expenses, plus one workforce sub-table and a table for GCC countries. This data will be collected through the budget application tool. Use of this tool is mandatory. See Section II.B below for additional guidance. Budget data is predecisional and is not for public release. All budget and workforce information for FY 02 (and prior years where needed, e.g. top portions of the U.S. Financing Table) should be submitted to Washington not later than November 15 using the budget application tool. This will enable bureaus to confirm and use important baseline information essential for setting levels for FY 03 and beyond.

FY 2003 and FY 2004 control levels will be provided separately by your bureau. Last year for the MPP, the State Department required that all country team members supply an additional out-year. We are not including a FY 2006 table, but to aid you in preparing your contribution to the MPP,

you may file off the Excel version of any of the tables. If you need to prepare FY 2006 projections for your MPP, consult your bureau regarding the levels to use.

1. U.S. Financing. This table appears with each Data Sheet in the CBJ. Operating units are requested to fill out the top portions (reflecting actual obligations and expenditures) before completing any other table, as information here will feed into the Budget Request by Program/Country table. Bottom portions of the U.S. Financing table, in turn, will be filled in automatically from the Budget Request by Program/Country table.

2.Budget Request by Program/Country. Breaks out each SO by the Agency's goal/strategy areas. These tables must be filled out for each of FYs 2002 to 2005 (FY 2001 data will be pre-populated for you in the application). All tables and should reflect actual appropriated levels, or request levels, as appropriate.

Separate years and accounts are generated using drop-down menus, including FY 2004 and FY 2005 alternative options for those bureaus that use that breakdown (see Bureau Specific Guidance below).

End-of-FY pipeline data is calculated from starting-year pipeline plus carry-over plus new appropriations less estimated SO expenditures. End-of-FY pipeline for one year will then become the starting year pipeline for the next FY. Given Agency and OMB interest in pipeline oversight, and to address ADS 602, particularly section 602.3.7 on program management as applied to proposed funding levels, it is critical that operating units take seriously their efforts to estimate SO expenditures and to adjust them each time they make adjustments to the appropriation levels in the program table.

When operating units request program funds for each SO, the level requested should include estimated/anticipated program funded ICASS costs. Regional Bureaus are also reminded to request funds accordingly when preparing regional SO submissions where annual program ICASS requirements are not met through bilateral programs.

3. Workforce Planning: USDH and non-USDH Staffing Requirements. This section covers all categories of personnel that are reported as part of the mission Staffing Pattern System reporting. (See M/HR home page for MSPS guidance but watch announcements for the e-World system that will replace MSPS).

USDH Staffing Requirements: Show the numbers of USDH in each occupational backstop expected by end of year FY 2003 and requests for end of FY 2004 - FY 2006. These data are necessary for the development of the FY 2004 Foreign Service recruitment plan. This data is not used in the assignment or FTE-allocation processes. Requested levels should be what the mission reasonably expects given budget realities. For all years, but especially for out-years, the requests should match the position requirements for the operating unit's Strategic Plan without regard to the backstop of the current incumbent. GDO positions should be listed under the backstop that reflects the primary discipline of the position. RUDO positions are covered under Backstop 40. It is crucial that each operating unit consider the work that needs to be done and the skills needed to do

it rather than the backstops of the employees currently on board. In addition, if you have positions that you do not expect to be filled, please do not include them.

Non-USDH Staffing Requirements: Show the number of non-USDH by category and the occupational backstop that most closely reflects the work being done. For effective workforce planning, the Agency needs to know total staffing requirements, not just USDH requirements. It is crucial that each operating unit consider the work that needs to be done and the skills needed to do it rather than the backstops of the employees currently on board. In addition, if you have positions that you do not expect to be filled, please do not include them.

New Workforce Requirement: In addition to the information requested last year, the Agency is requiring that workforce-planning data be tied to the operating unit's strategic objectives. This breakdown will allow us to (1) develop data tables to assist in our long-range cost-to-program planning and (2) respond to the five areas of the President's Management Agenda. Therefore, after completing the principal workforce table by backstop, you must complete a subordinate table to allocate your technical staff by objectives. Technical specialists and GDOs should be included in "Technical Staff." Whole and fractional numbers may be used.

4. Operating Expenses for Overseas and Washington Operating Units. Show the proposed use of OE and trust fund resources by resource category for the FY 2003 estimate, the FY 2004 target, and the FY 2005 request levels. For overseas OE tables, identify the U.S. dollars used for local currency purchases and the exchange rate used in computations. For FY 2005 OE, the target level should be straight-lined from your allocation for FY 2004. The request for FY 2005 should reflect an amount that takes into account the base and increases.

5. Program Funded Personnel and Support Expenses. This table is a new requirement for this year and responds to the PMA and the Agency's need to ascertain the costs of program funded personnel used for program oversight and management (including home office indirect costs), and to match those costs to program endeavors. This table is identical to the OE table above except that it pertains to funds from the program accounts. Operating units should use the average annualized cost of the personnel and support cost over the life of the contract, rather than levels obligated for the year. Personnel to be reported on should be those included in the "Quarterly USAID Worldwide Staffing Pattern". For more information, please contact Eileen White, PPC/RA.

6. The ICASS Working Capital Fund This table should be used by overseas operating units that are/or will be an ICASS service provider. This table should reflect the amount that the Agency will be reimbursed for the services that are provided. Include costs associated with providing support to OE-funded operations, USAID program operations and to other customer agencies on post. Please note that the first line of the Table is for Washington Funded Salaries and Benefits.

Report in the Operating Expenses Table, under the ICASS line item, the sum of estimated OE ICASS charges payable to the Department of State as well as the estimated costs for ICASS services provided by the mission to OE funded operations.

7. Trust Fund and FSN Voluntary Separation Payment/Withdrawal Information. This is used only by overseas missions and shows (a) availability of local currency trust funds and (b) deposits to and

withdrawals from the FSN voluntary separation account. Please note that if an overseas unit shows obligations under object class 12.1 on the OE table for FSN voluntary separation (FSN direct hire or FSN PSC), then the FSN voluntary separation portion of this table must be submitted. The OE totals on this table must match the total FSN voluntary separation amounts for FSN direct-hire and FSN PSCs on the OE table. Also, exchange rates used in computing the dollar equivalent of local currency trust funds must be provided--this information is required to be included in the Agency's Budget Justification.

8. Controller Operations. This is in the same format as the overseas OE table, but is to reflect only those costs associated with the office of the controller at overseas missions.

9. Global Climate Change. Each GCC mission must complete the GCC budget table, which requests data on obligations by country, strategic objective, and fund account for activities conducted in FY 2002 and 2003 and estimates for FY 2004 and FY 2005.

II.   Technical Requirements

A.   *Submission Requirements and Format*

1. The Annual Report is due in Washington on January, 6, 2003; as usual, budget planning will require an iterative exchange with operating units that will require some budget information be sent in advance of the narrative and possibly subsequent to the narrative. Narrative portions of the Annual Report (including those portions for the CBJ) will be submitted through the same application that is used to prepare the budget portion of the Annual Report. Use of this application is mandatory. See Section II. B below.

2. All operating units are required to submit complete Annual Reports unless they do not need program funds and/or operating expense funds after the current fiscal year. Those OUs that do not need funds after the current year should submit a review of the results they have achieved per applicable sections of Section I above. Non-presence programs with defined country-level Strategic Objectives are also required to submit a separate Annual Report. Washington Program Offices will identify the OUs responsible for preparing these Annual Reports.

3. Do not include any graphics, tables, text-boxes, bullets (you may substitute dashes for bullets), or photographs in your narratives. The Annual Report Application will allow you to generate a Word document for printing and viewing purposes. This document may also be saved to a file where you may add photographs, tables, text-boxes, and graphics for any purpose the operating unit deems appropriate.

4. The required font and margins are built into the Annual Report application. Note: The Application uses a new font: Arial 10.

5. Operating units should avoid the use of acronyms wherever possible, as they are not necessarily known by USAID/Washington or by the Congress and the general public.   Whenever they are used, be sure to spell them out.

6. Submit only the electronic application. Do not send password-protected documents.

7. ADS Section 201.3.7 (V.V. ADS 201.3.13) describes the procedures for managing the public release of planning documents, including Annual Reports, and requires the following wording on the title page of each Annual Report   (This is included in the application)

>   The attached results information is from the FY 2003 Annual Report for (country or OU) and was assembled and analyzed by (USAID/OU).

>   The Annual Report is a "pre-decisional" USAID document and does not reflect results of USAID budgetary reviews. Additional information on the attached can be obtained from (Washington contact person and office making the distribution).

>   Related document information can be obtained from:

>   USAID Development Experience Clearinghouse
>   1611 N. Kent St., Suite 200
>   Arlington, Va. 22209-2111
>   Telephone: 704-351-4006 ext. 106
>   Fax: 704-351-4049
>   Email: docorder@dec.cdie.org
>   Internet: http://www.dec.org

8. Submit your Annual Report via the "submit" button in the application.

9. Cases of conflicting or uncleared supplementary guidance should be reported to David Eckerson and/or Parrie Henderson-O'Keefe, PPC/SPP, and copied to your Regional Bureau for resolution.

B.   *The Annual Report Application*

This year, the Agency has added to the budget application tool a section for the preparation of the narrative portions of the Annual Report, the CBJ Program Data Sheets and CBJ Country Narratives. Specific instructions for filling out the application, as well as a description of the improvements that were made to the application from last year, are also available from the website: http://CDIE.USAID.gov/ar. Field-testing of the application began in August 2002, but it is anticipated that updates and modifications may be necessary. We are making every effort to keep these to a minimum.

The application will be sent to each operating unit's system administrator for installation via e-mail using a special large IRM-supplied email connection to accommodate the size of the application. It will be sent on or about October 15th, 2002. Operating unit program officers, program budget analysts and/or controllers will be contacted with specific information on how to use the application. The application will be pre-populated with some prior year budget data as well as each operating unit's list of Strategic Objectives. Operating units can also submit a request to ARApp@dec.cdie.org to have a CD-ROM copy of the application mailed to them. Once your operating unit has finished entering information, the application tool is to be sent back to the same

location in Washington via the e-mail function included in the application. All country applications will be consolidated for each Bureau and forwarded to that Bureau. Specific questions regarding the application can be e-mailed to ARApp@dec.cdie.org. Phone inquires on the narrative portions can be directed to Chris Wolter-Nagle at 703-351-4006 extension 104; inquiries on the budget portion can be directed to Scott McKissock at extension 142; questions regarding how to run or install the application can be directed to Dennis Nagle at extension 150.

C.   *Supplemental References*

The following information on Annual Report preparation is available on the Intranet web page at http://CDIE.USAID.gov/ar. Partners will be able to access Annual Report guidance and related support materials at the following external website: http://www.dec.org/partners/ar. All Supplemental References will be available by 10/15/2003.

a) A mock CBJ submission for the fictitious country of Freedoni.
b) A mock Performance Narrative and Budget Narrative for the fictitious country of Freedoni.
c) International Affairs Strategic Plan
d) Revised 2000 Agency Strategic Plan.
e) Agency Pillars, Goals and Objectives.
f) User help guide for budget request application.
g) Policy on Description and use of Child Survival and Health funds
h) GCC website.
i) List of all operating unit Objectives and ID numbers.
j) Glossary of commonly used terms in this guidance.
k) USAID Editing Instructions.
l) Notification guidelines
m) FY 02-03 APP

Frequently Asked Questions and clarifications/additions to this guidance will be posted at: http://CDIE.USAID.gov/ar and http://USAIDResults.org.

III.   **Bureau Specific Guidance**

A.   *Africa Bureau*

Submission Information: REDSO/ESA will be expected to submit Annual Reports for REDSO, Burundi, Sudan and Somalia. Guinea will be expected to submit Annual Reports for Guinea and Sierra Leone.

FY 04 Alternative: The Bureau has found these alternative submissions useful tools when setting the actual operating year budget once an appropriation is signed.

FY 05 Request Parameters: For FY 05, missions are requested to limit their overall request level to no more than 10% above the FY 04 level, excluding funding for HIV/AIDS. Relative priorities between sectors will be clarified through the distribution of the funding request. To avoid

duplication in aggregating requests, missions should also make it clear in the FY 05 request narrative how much funding they anticipate receiving from the Bureau for Presidential Initiatives.

Performance: The Bureau strongly recommends that operating units use the Optional SO Indicators table to better inform USAID/Washington on field performance. To further assist the Bureau in making performance based budgeting decisions, missions are encouraged to share their current Performance Monitoring Plans (PMPs) with their Country Development Representative to supplement the information in the Annual Report.

Preparation Questions: Operating units with general questions about Annual Report preparation should contact Janet Kerley or Steve Giddings in AFR/DP/POSE or their POSE backstop. POSE backstops are Curt Grimm (West Africa), Sharon Pauling (Southern Africa) and Ruth Buckley (East Africa). Questions about program resources should be directed to AFR/DP/PAB, Carrie Johnson or Paul Knepp. Questions about OE should be directed to Bureau Controller, Beverly Busa. Workforce questions should be directed to AFR/AMS, John Winfield. Questions about closeout reporting and reporting questions for twinned missions should be directed to Elyssa Tran, AFR/DP.

B.   Asia Near East Bureau

Preparation Questions: Operating units with general questions about annual report preparation should contact Skip Waskin or Del McCluskey in ANE/SPOTS. Questions about financial resources should be directed to ANE/SPOTS, Bob Hudec or Yvette Hart. Workforce questions should be directed to ANE/AMS, Andrew Luck or Gail Ulrich. Optional SO indicators are indeed optional; operating units need not submit them unless they wish to do so.

C.   Europe Eurasia Bureau

E&E operating units should include a budget that shows funds at the SO and activity level and that identifies the contractor/grantee. This is the same guidance previously used for the R4 except that the requirement to show the budget by project and project components has been deleted. E&E operating units should not fill out the alternate FY 2004 and 2005 budget tables included with the application. Questions about the overall Annual Report should be directed to Jeff Evans. Questions about budget levels should be addressed to Pat Brown (FSA) or Sheila Cunningham (AEEB). Questions about OE and workforce tables should be directed to Mario Rocha/Audrey Doman.

D.   Latin America And Caribbean Bureau

In your narratives, missions are asked to emphasize Bureau priorities, especially in rural development and trade, where appropriate.

Format.   In addition to the three sections to be included in the cover memo, please add a fourth one that shows for each SO the current life of objective level and which, if any, need to be increased. If an increase is necessary, please indicate how much and how it will be used.

Please pay particular attention to the Agency's list of official SO titles and numbers. If you have any questions on this please contact Robert Baker in PPC or Sue Hill in LAC/SPO. For objectives that have not yet been approved by the Agency, use the country code followed by three letters (e.g. XXX) as the SO number. Use a new set of three letters for each unapproved objective.

Performance.   The Bureau strongly recommends that operating units use the optional SO Indicators table to better inform USAID/Washington on field performance.   This, when combined with other sections of the Annual Report, will provide the necessary tools to make informed decisions when developing the BPBS.

Budget. FY 05 Alternative Budget: in addition to the FY 05 base budget (which will reflect mission priorities at the Bureau control levels), LAC missions are requested to complete the FY 2005 Alternative Budget. This can be done by selecting "FY 05 Alternative" from the account drop-down in the Budget Request by Program/Country table and completing all of the sector tables for this alternative scenario. For the FY 2005 Alternative, use a budget increased no more than 10% from the FY 2004 level, assume there are no earmarks or other restrictions, and structure the budget to reflect the mission's priorities.   Missions should also highlight in the Resource Request Narrative, the rationale for the proposed increases, and indicate how performance influenced those decisions. The Bureau has found these alternative submissions useful tools when setting preparing the BPBS determining priorities, and in informing other budget decisions.

The budget should also reflect the missions PD&L needs for upcoming Assessments that do not fall within the sectors of your current Strategic Plan (See ADS 201.3.3.6 or V.V ADS 201.3.3.5). The Bureau will notify PD&L needs on the mission's behalf and reduce the mission's OYB accordingly.

Preparation Questions. Operating units with general questions about Annual Program Submission preparation should contact their SPO backstop corresponding to their subregion: Caribbean (except Haiti and Guyana), Central America and Mexico: Donald Soules; South America, Haiti, and Guyana: Abdul Wahab. For questions regarding program resources contact Charisse Adamson or Janet Rudasill-Allen. For questions regarding OE and PD&L resources, contact Beth Cypser.

IV.   Washington Review

While there is no prescribed format for review of the Annual Report, PPC has found that the following are best practices:

➢ Review all cover memos. Ask: Can issues raised in the Cover Memo be addressed with information supplied in the Annual Report? If so, then there is no reason to conduct a formal review of the AR. If not, it may be necessary to organize a review with operating unit representation.
➢ Sector or technical review teams and Sector Councils should be reviewing the Annual Report for the following purposes: 1) for general understanding of field programs, both bilaterally and in a global context; 2) to be able to provide sector performance information for the Bureau

Program and Budget Submission (BPBS) and Agency Annual Budget Submission (ABS) to OMB.

The Annual Report narratives must contain sufficient performance information at the SO level -- and may also describe activity level performance as appropriate – to inform the Bureau Program and Budget Submission. However, the Annual Report is not intended to supply technical offices with indicator data at the activity level. To address a continuing need for activity level information, intensive, mid-course implementation reviews of an operating unit's performance, including careful examination of the PMP, should be done at least once every three years (See ADS 203.3.8 or V.V ADS 203.3.10 for guidance on Mandatory Triennial Program Reviews). Operating units are also encouraged to share their performance data with their technical colleagues in Washington at any time. In addition, PPC encourages regional bureaus to hold annual face-to-face consultations with each field mission to discuss program performance. These annual consultations should reduce paperwork while expanding understanding. These consultations are not necessarily linked to review of the Annual Report: they may be held in the field or in Washington and may be held at any time of year. Some bureaus, however, may wish to use submission of the Annual Report as the occasion to schedule these annual consultations.

Bureaus will review and respond to issues raised in the Annual Report cover memo and to the Annual Report itself within four weeks of receipt of the Annual Report unless other arrangements are worked out. At a minimum, missions will receive an e-mail reporting when cover memo issues will be addressed. Management Agreement cables or letters will be prepared when there are specific changes to the Management Agreement and/or the strategic plan.

Annual Report Guidance Update   October 28, 2002

We thought we had succeeded this year. We thought we had managed to avoid having to send out any Annual Report Guidance updates. We were wrong. We have a couple of changes; we hope you'll think they aren't too serious. We hope they are the only ones we make.

1. Based on a meeting held with the Congress a little over a week ago, we removed the box from the Annual Report application where you would normally put Principle Contractors and Grantees. Our appropriators have asked that under each component of your SO, in the "Inputs, Outputs, and Activities" section, that you put the principle contractors and grantees there. We made the change to the application, but it was too late to change the guidance which had already gone out. The latest version of Freedoni on the web has these changes but an example is (red added for emphasis):

> Implement policy reforms to liberalize the agricultural sector ($1,500,000 DA). Policy-related activities will help Freedoni seize trade and growth opportunities for agribusinesses created by the Africa Growth and Opportunity Act by eliminating private sector growth bottlenecks in key sectors such as food processing, textiles and forestry products. USAID will also promote the development of agricultural markets and provide support to the Government of Freedoni's public enterprise reform program to encourage the privatization of parastatals. Principal grantees are: Development Alternatives, Inc. (prime). Agricultural Cooperative Development International/Volunteers for Overseas Cooperative Assistance (ACDI/VOCA) (sub).

2. And this example also illustrates another change that came out of that meeting. Please note that after the listing of the major component there are parenthesis containing not only an amount (per the guidance), but also an account (not specified in the guidance). Please add this. If you are using two accounts to fund a component, list them both, e.g. ($800,000 DA, $600,000 ESF).

3. We made a mistake in Section I.G. covering the resource tables. Section 3 on Workforce Planning is correct in that all information starts with FY 03. The introductory paragraph to that section contains the incorrect statement that "...workforce information for FY 02 (and prior years where needed...) should be submitted to Washington not later than November 15..." The word "workforce" should NOT have been included in that sentence.

We have had people constraints (just not enough of us) affecting our ability to get the Performance and Resource Request Narrative model for Freedoni on the web. We hope to get it on within a day or two. I thank you for your patience.